

FOREIGN POLICY ASSOCIATION

Information Service

VOL. III—No. 26

MARCH 2, 1928

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Published bi-weekly by the FOREIGN POLICY ASSOCIATION, 18 East 41st Street, New York, N. Y. JAMES G. McDONALD, *Chairman*; RAYMOND LESLIE BUELL, *Research Director*; WILLIAM T. STONE, *Editor*. *Research Assistants*: HERBERT W. BRIGGS, DOROTHY M. HILL, E. P. MACCALLUM, HELEN H. MOORHEAD, M. S. WERTHEIMER, AGNES S. WADDELL, NATALIE BROWN. *Subscription Rates*: \$5.00 per year; to F. P. A. members \$3.00; single copies 25c.

Political and Economic Trends in the Near East, 1927

IN reviewing the experiences and policies of the various countries of the Near and Middle East in 1927* there become apparent certain general tendencies common to all or to most of them. One of the most striking features has been the development of facilities for rapid communication. Harbors and railways are being constructed and improved and in every country, with the increasing use of automobiles, there is a general demand for better roads. With improved transportation facilities or the immediate prospect of their improvement, natural resources neglected for centuries are beginning to be exploited. Not only is this true of the rich oil-fields of Iraq and the mineral deposits of the Dead Sea, to mention only two of these neglected sources of wealth, but many other mining and agricultural projects are on foot, in the mandated territories and elsewhere, whose consistent development must have the result of restoring prosperity and materially increasing the number of inhabitants of this section of the world, depopulated for cen-

turies by wars and the comparative decadence of agriculture.

Strong nationalist feeling has continued to be characteristic of the Near and Middle East. In Syria nationalism suffered military defeat at the hands of the French. In Turkey it celebrated a series of successes. In Persia, Iraq, Egypt, Palestine and Arabia it manifested itself in diverse forms and with varying degrees of success and failure. Varied, too, was the emphasis placed upon those democratic principles which had been loudly invoked in the early post-war period. In Syria, Transjordan and Palestine, for the time being, these were not being applied in the national administrations. In Turkey, where democratic policies were constantly professed, they also suffered a temporary eclipse. In other countries of the Near and Middle East they received something more than lip service, but achieved something less than complete success owing largely to the recency of their application.

The following accounts of developments in the Near and Middle East during the year 1927 have been drawn largely from sources listed on page 441, to which reference should be made for more detailed information.

*This is the third annual review of the Near East published by the *Information Service*. The surveys for 1925 and 1926 may be ordered from the Foreign Policy Association at 25 cents and 35 cents, respectively.

TURKEY

TURKEY, although recovering with unexpected rapidity from the devastation wrought during the wars of 1911-1922, still found in 1927 a number of inconvenient obstacles blocking the road to normal prosperity. To hasten the economic development of the country, one of the first requirements was an adequate system of roads, railroads and seaports. A commercial bond issue of £T200,000,000 (\$104,000,000) had been authorized by the Grand National Assembly in December, 1926, to facilitate railway construction, harbor development and the utilization of water power. The *Banque Agricole Turque* was to guarantee the bonds, receiving for their service the revenues derived from the state monopolies on alcohol, tobacco and matches. To expedite construction, foreign concerns were given contracts to build a number of railway lines. Their work was to be completed by 1932. These lines would open up the interior as far as Sivas, giving the cities of the Anatolian plateau outlets to the sea not only at Smyrna and Constantinople but, more directly, at Mersine and Samsun. They would provide, too, for the development of the southeastern provinces.

A Swedish group received a contract to build 670 miles of railway line in the north-west and south-east and to construct the harbor of Ereğli. A Belgian group entered into a contract to construct 260 miles of railway line in the central section of the country* and to improve the harbor of Samsun. Together with two important lines under construction by a German firm, these arrangements provided for a total length of approximately 1,400 miles of new railroads.

On May 29, a 250-mile line from Angora to Caesarea, built with Turkish capital under the direction of Turkish engineers, was inaugurated amid public rejoicing. On August 4, another advance was made when the Paris-Constantinople-Angora Express ran its first through train, inaugurating a service which encouraged travel between the Turkish capital and European cities, and sup-

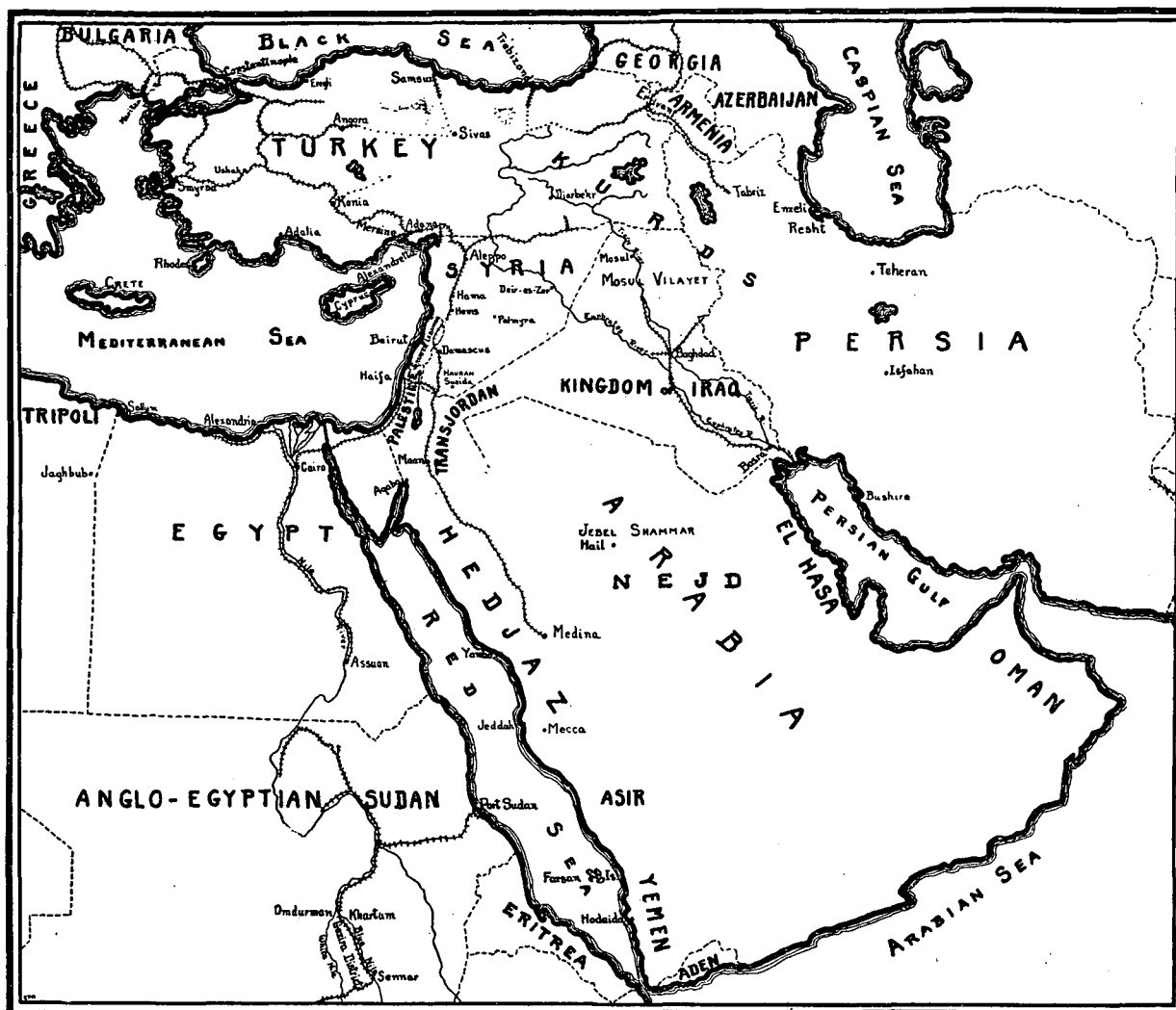
plemented the Paris-Constantinople-Aleppo Express, linking France with the mandated territory of Syria.

The government found it difficult to decide how far the necessity for economy should limit capital expenditure for the country's development. The budget bill submitted to the Grand National Assembly and referred to its Finance Committee in November provided for a total expenditure of £T206,291,668 (over \$107,000,000)—an increase of approximately \$6,000,000 over the budget of the previous year. The estimates for general security, the gendarmerie, national defense, marine and military factories together amounted to 39 per cent of the total budget. Estimates for agriculture, land survey, public works, posts and telegraphs, the interior, commerce, ports, public health, education and refugee settlement together amounted to 15 per cent of the total budget. This did not include appropriations for the government railway program, which was to be paid for out of sums amounting to 13 per cent of the budget ear-marked for "finance."

Industrial enterprise was favored by the Law for the Encouragement of Industry, which became effective on June 1. It conferred tax and customs exemptions on industrial establishments, provided free grants of land for new enterprises and certain other inducements for the expansion of industrial activity. The number of joint-stock companies with business in Turkey increased 251 per cent between 1918 and 1927, but even in the latter year the report of the Minister of Commerce showed that the total number of factories, large and small, had attained only 1,220—a small figure compared to the number the country could be expected to support after its railway systems had been completed and its roads further improved.

Negotiations regarding the service of the Ottoman Public Debt, which had begun in July, 1925, only to break down in May, 1926, were resumed in 1927 after French, British and Italian bondholders had drafted an outline of principles upon which the settlement

*Difficulties arising between the Turkish Government and the Belgian group were to lead early in 1928 to the cancellation of this contract.



Prepared by the Foreign Policy Association, January, 1926.

THE NEAR AND MIDDLE EAST

should, in their view, be based. Since the war no payments on account of the Ottoman Public Debt had been made either by Turkey, nor, for various reasons, by any of the states (except Italy) which included territories detached from the Ottoman Empire—Iraq, Palestine, Syria, Greece, Bulgaria and Serbia—upon each of whom part of the burden of payment had been laid, leaving to Turkey itself responsibility for 62 per cent of the former total.

At intervals during 1927 the negotiations continued, and in July an agreement was reached providing for the resumption of payments by Turkey before June 1, 1928. The bondholders had long protested against the diversion by Turkey for its own uses of revenues "solemnly and irrevocably pledged to their creditors" in 1881 when a foreign Council was established to admin-

ister the debt. Renewed protests had more recently been raised when the Turkish Republic pledged to the service of the railway loan the revenues from the alcohol and tobacco monopolies—revenues which had been among those specifically set aside by the former Ottoman Government for the service of the Ottoman Public Debt. The Turkish Government now offered instead as guarantee for the service of the debt the revenues derived from certain harbors and from the Constantinople customs.

The July agreement was subject to ratification by the Grand National Assembly and by the bondholders. It failed, however, to be presented for ratification before the close of the year because of a disagreement which developed in December between British and Italian bondholders on the one hand, and French, German and Belgian bondholders on

the other over a proposal to establish the headquarters of the Council of the Debt in Paris and to increase French influence in the Council.

ADMINISTRATIVE POLICY OF THE NATIONALIST GOVERNMENT

The chief political event of 1927 was the election of the third Grand National Assembly which took place in September. In this election the nation merely confirmed the President's choice of 315 deputies from among 1,100 candidates whose names had been previously proposed to him with notes on their qualifications. The new Assembly thus selected by the President contained fewer military men than the previous Assembly, but a larger number of professional men, business men and agriculturists.

The opening of the Assembly was preceded in October by a convention of the Popular Party at Angora attended by Cabinet Ministers, Deputies and many others. This convention, coming soon after Mustapha Kemal Pasha's first post-war visit to Constantinople, the former stronghold of Ottoman imperialism, was hailed as a symbol of the final triumph of the Turkish revolution. It was to celebrate this achievement that the President reviewed before the convention the detailed history of the Republic's development in a 1,400-page address lasting six days. The address was published and will serve in the schools of the country as the official text-book of the history of the Turkish Republic.

On November 1, when the new Assembly convened, it re-elected Mustapha Kemal Pasha to the office of President.

The close of December was marked by considerable excitement at Angora over the discovery of corruption in the Ministry of Marine and over the disappearance of £T100,000,000 (\$52,000,000) from the public funds—scandals which the Prime Minister announced would be probed to the bottom and punished severely.

On October 28, after a protracted propaganda to prepare the minds of the people for the innovation, the first official nation-wide census was held in Turkey. Former estimates of the population of Turkey had ranged from five million to fifteen million,

the former estimate emanating from non-Turkish sources. The provisional total given out early in November by the Census Bureau was 12,843,085, exclusive of the population of Constantinople, which, subsequently discovered to be 806,860, brought the provisional total up to 13,649,945. This announcement was greeted with such widespread incredulity abroad that Professor Camille Jacquart, the Belgian expert employed by the Ministry of the Interior to direct the census, gave out to the press an official statement that the 60,000 census-takers had done their work well, that the Turkish Government had given him full freedom in directing the census and compiling the figures, and that there had been no attempt whatever to tamper with the returns, which, he declared, represented the actual situation in the country fairly accurately.

On March 7 the Tribunals of Independence were abolished. Their creation in 1925 had been an emergency measure to prevent the spread of rebellion and sedition. They were used as an instrument of summary justice for putting into effect the Law for the Maintenance of Order—a law which was to remain in effect two years longer despite the abolition of the tribunals themselves. The President of the Tribunal of Independence reported that during its existence there had been 351 trials involving 2,436 accused persons. Of these 1,093 or 44 per cent failed to be acquitted. Ordinary courts now took over entirely the administration of justice (except in the areas still under martial law), employing the civil and criminal codes based on European systems adopted by the Republic only a few months previously.

One of the most sensational cases to be tried in the Turkish courts during 1927 was that of a number of Jewish citizens accused of participating in an anti-Turkish demonstration during the funeral of a Jewish girl murdered in August by a rejected Turkish suitor. A bitter anti-Semitic campaign in the Turkish newspapers encouraged a certain amount of Jew-baiting in the country. It did not cease until the majority of the accused were freed on September 22, no charges of sedition having been substantiated against them. The affair caused the authorities, however, to deny to Jewish citi-

zens permission to travel, thus placing them on a par with other minority groups whom it had been the national policy to segregate in the Constantinople area.

TURKEY'S FOREIGN RELATIONS

A general advance was made in the extension of Turkey's new system of foreign treaties. A commercial treaty with Switzerland was ratified in May, and in June a treaty of amity was concluded with Mexico, providing for mutual diplomatic and consular representation. On July 22 a Turco-German treaty went into effect regulating commercial relations and conditions of residence and according Germany a status similar to that of the signatories of the Lausanne Treaty of July 24, 1923. In August a commercial treaty and a residence convention were concluded with Belgium.

During the first week of October a conference took place on the Italian Island of Rhodes between Turkish and Italian representatives to arrange for delimitation of the maritime boundary between Turkey and the islands of the Dodecanese ceded to Italy as a result of the Great War.

On March 13, after more than two years of intermittent negotiation, there was signed in Moscow a treaty between Russia and Turkey regulating commercial relations, conditions of residence and questions of navigation. The treaty was to be of one year's duration, automatically renewed thereafter if not denounced by either of the contracting parties. It served to supplement the neutrality and non-aggression pact of December 17, 1925. One of its distinctive features was the provision that the value of annual Turkish exports to Russia might not exceed £T7,500,000 (\$3,900,000) unless Russian exports to Turkey themselves should expand sufficiently to surpass that total. Attached to the treaty were lists of exportable articles, indicating in each case the total that might be exported from Turkey in the course of a year. Provision was made for exchanging commercial representatives.

Relations with Persia were disturbed during the year on account of the activities of armed bands among the villages near the Turco-Persian border. Late in September

during the attack of such a band on the village of Kozlarkeuy, a detachment of Turkish soldiers was captured and carried by the brigands into Persian territory. On the theory that the brigands were of Persian origin, the Turkish Government protested against this alleged violation of the 1926 treaty of friendship, neutrality and non-aggression. In Persian circles it was charged that Turkish authorities had encouraged Kurds of Turkish nationality to carry out the raid and flee into Persian territory to create an occasion for pushing the Turco-Persian boundary eastward at the expense of Persia. The Persian authorities concentrated several thousand troops at Suj Bulak near the boundary. A former Persian Minister of War was sent to Angora to enter into conversations with the Turkish Government. No settlement had been reached before the year closed.

Less serious boundary incidents arose twice during the year in the case of Greece. But the most serious difficulties in Greco-Turkish relations grew out of the perennial problem of abandoned properties, and non-exchangeable minorities, which remained as a heritage from the period of wholesale exchanges of minority populations between Greece and Turkey. The Greco-Turkish accord of December 1, 1926, declaring the principles on which outstanding issues were to be settled, was ratified during the spring in both Athens and Angora. But although the agreement marked a distinct advance toward the amicable settlement of mutual difficulties, its enforcement caused a number of irritating incidents, which led the Greek Government at the beginning of 1928 to suggest an appeal to Geneva.

On September 7 a dispute which had disturbed Franco-Turkish relations a year before was settled when the Permanent Court of International Justice handed down a judgment in the well-known *Lotus* case. The Court disallowed the contention of France that Turkey had acted contrary to the terms of the Lausanne Treaty and in conflict with the principles of international law when it tried an officer of the French ship *Lotus* after a fatal collision with the Turkish vessel *Boz-Kourt*. The effect of this decision upon Turkish opinion was to modify

the distrust with which the international organizations at the Hague and Geneva had been regarded hitherto, especially since the Mosul boundary discussions of 1925.

Meanwhile the Straits Commission of the League of Nations in its second annual report drew attention to certain Turkish practices which the commissioners considered to be contrary to the terms of the Lausanne Treaty. These included the prohibition of air traffic in two specified zones over the Sea of Marmora, and the requirement that wireless apparatus should remain sealed on all foreign ships in Turkish territorial waters.

THE SPECIAL AGREEMENT WITH THE UNITED STATES

On January 18, 1927, the United States Senate in executive session took action on the Turco-American Treaty of Amity and Commerce, signed by an American representative at Lausanne three and a half years earlier (August 6, 1923). Although the Senate vote was 50 to 34 in favor of the treaty it failed of ratification because of the constitutional requirement of two-thirds majority support. This treaty confirmed the abrogation of extra-territorial privileges of foreigners in Turkey, guaranteed the rights of nationals of one country residing within the territory of the other, provided for mutual consular representation and accorded reciprocal most-favored-nation treatment in matters of commerce and navigation.

Rear-Admiral Mark L. Bristol, American High Commissioner at Constantinople, entered immediately into negotiation with the Turkish Government with a view to agree-

ing upon a *modus vivendi* pending adoption of a formal Turco-American treaty. Such a *modus vivendi* was arranged in an exchange of notes between High Commissioner Bristol and the Turkish Minister of Foreign Affairs on February 17. It provided for establishment of diplomatic and consular relations upon the principles of international law. Ambassadors were to be appointed by both countries "as soon as possible." In case the Lausanne Treaty should not have been ratified before June 1, 1928, the two countries agreed to enter into new treaties or conventions regulating commercial and consular relations and conditions of residence on a basis of complete reciprocity and in conformity with the principles of international law. Until these matters had been settled, mutual relations would be regulated in accordance with the essential provisions of the Lausanne Treaty and the principles enumerated in the exchange of notes of February 17, 1927. Within six months of the settlement the two countries agreed to enter upon negotiations for a naturalization convention.

In accordance with this agreement, Mr. Joseph C. Grew, former Under-Secretary of State, presented his credentials as American Ambassador to Turkey on October 12. On November 29, in face of protests from officials of the American Committee Opposed to the Ratification of the Lausanne Treaty, Moukhtar Bey presented at Washington his credentials as Turkish Ambassador to the United States.

The Lausanne Treaty was not re-submitted to the American Senate before the year closed.

THE MANDATED TERRITORIES

SYRIA

IN Syria the year 1927 saw the conclusion of the rebellion against the French which, breaking out in July, 1925 among the Druses of the south, had spread subsequently to Damascus and South Lebanon and northward toward Aleppo. Two successive High Commissioners, General Sarrail and M. de Jouvenel, had failed to pacify the country. It was under the administration of M. de Jouvenel's successor, M. Ponsot, who was

sent to Syria in October, 1926, that the rebellion finally wore itself out.

The rebels continued under arms until the summer of 1927, when the last important engagements took place. In January, February and March the most troublesome bands were situated in the southeast, where they had taken up a seemingly impregnable position among the volcanic rocks of the Leja region, twenty-five miles from Damascus. Successive air attacks and ground

movements of French troops failed to dislodge the rebels, until the culminating engagements of the last week of March, after which there was no more activity in this area.

In April there was a recrudescence of fighting in the Damascus area after the British authorities in Transjordan took measures to eject Sultan Pasha Atrash, the Druse leader, from El Azraq. Upon this base, a little south of the Syrian border, he had fallen back some time before with a number of his warriors, disregarding repeated warnings from British authorities that only non-combatants would be permitted to use Transjordan as an asylum. The renewed hostilities in the Damascus area did not continue long. Gradually Sultan Pasha's lieutenants surrendered and eventually he himself was forced to take refuge in the territory of Ibn Saoud, beyond Transjordan. With the leader of the Druse revolt out of the way, the French authorities in October appointed a new French governor in the Jebel Druse where the standard of revolt had first been raised. Troops in both the Jebel Druse and the neighboring district of the Hauran were placed under the control of the new governor. The revolt in that troubled region was now terminated.

FRENCH POLICY IN SYRIA

M. Ponsot spent his first four months in Syria in extended tours, listening to the grievances of representative Syrians in the various districts he visited. Although the petitions he received differed in detail, their general nature was much the same. The demands usually included the following:

1. General amnesty for all participants in the rebellion, including deportees and political prisoners.
2. Unification of Syria. Some would exclude pre-war Lebanon from the union. Others suggested a plebiscite to determine whether pre-war Lebanon should enter the union or not. Practically all demanded the retrocession to Syria of territories annexed to pre-war Lebanon to form Greater Lebanon during the régime of General Gouraud, the first French High Commissioner.
3. The election of a Syrian Constituent Assembly empowered to determine the future form of the Syrian Government.
4. A Franco-Syrian treaty of limited duration, recognizing the national sovereignty of Syria and defining clearly the mutual rights and duties of France and Syria. Such treaty to be ineffective until ratified by the Syrian Assembly.
5. Gradual substitution of Syrian for French troops in the country.
6. Judicial and economic reforms.
7. Freedom of speech, freedom of the press and freedom of association.

In February, 1927, M. Ponsot took the Syrian demands with him to Paris, where he discussed them with the Government and with Committees of the Senate and Chamber of Deputies. Returning to Syria in June, he then conferred for a month with local French officials. It was not until July 26, 1927 that he published the first official declaration of policy for which the inhabitants had been waiting since his arrival in October, 1926.

The main features of his pronouncement were as follows:

1. France would not renounce its mandate. (During 1925 and 1926 demands were frequently heard in Syria, and not infrequently in France, that the French Government should relinquish its position as Mandatory Power in Syria.)

2. In accordance with the principles laid down in Article 22 of the Covenant of the League of Nations, France would comply with the wishes of the Syrian people as expressed during periods of order and peace, and would respect the rights of minorities as well as the general and superior interests of the country.

3. The Near Eastern countries under French mandate were to be permitted to determine their own Organic Laws, to make their own agreements between themselves and settle their own differences, the Mandatory Power acting as arbitrator when necessary. But France would not relinquish the duty, meanwhile, of maintaining order and security.

4. Local governments, by a system of decentralization would be permitted consider-

able freedom of action, subject to the advice of the Mandatory Power.

5. Syrian troops, supported by Syrian funds, would gradually replace French units for the defense of the territory.

6. French capital would interest itself in the economic development of Syria and the Lebanon, and the Mandatory Power would aid the State treasuries in promoting economic well-being.

7. A narrow policy of separatism being opposed to the true interests of the Levant, the High Commissioner would set himself to the task of bringing the States under mandate closer together on the basis of their common interests.

Editorial comment on the Ponsot Declaration was not as favorable as the French authorities might have wished. Critics complained that it had said nothing about the majority of the practical issues raised in former petitions, such as amnesty, national unity, judicial reform, liberty of speech and of the press, territorial readjustments, and a Franco-Syrian treaty.

French officials, however, replied that all these points were covered by the second section of the Ponsot declaration, and that it was open to the people to secure by constitutional means whatever institutions they wished to have.

NATIONALIST LEADERS READY TO COOPERATE

Syrians watched with considerable interest the administrative policy pursued by the French in the Republic of Greater Lebanon. Because the latter had not participated in the Syrian revolt it was expected that French policy in that Republic would represent a norm to which the administration of Syria would tend to conform. Thus there was widespread discussion in Syria of a constitutional amendment adopted by the Lebanese Chamber of Deputies on October 7 on the suggestion of the mandatory authorities. The main features of the amendment were the substitution of a unicameral for a bicameral legislature, and the provision that one-third of the deputies should be nominated and two-thirds elected. It was popu-

larly supposed that the French authorities had proposed this measure and secured its adoption for the purpose of exercising a more complete control over the Assembly, on the support of one-third of whose members they could now rely.

Fearing that, unless they took steps to prevent it, an equally unpalatable arrangement might be imposed upon Syria itself, for which a new constitution still had to be drawn up, certain leaders of the Syrian rebellion assembled in conference in Beirut, and on October 25 completed the draft of a declaration to the High Commissioner. In this they formally declared their desire to co-operate with the Mandatory Power for the welfare of the country. They drew attention to the points in which M. Ponsot's pronouncement of July 26 was to their way of thinking indefinite, inadequate or mistaken, and expressed the opinion that with good-will on both sides nationalist and French points of view could and should be brought into harmony.

This pronouncement of the nationalist leaders within the mandated territory itself followed in general tenor an earlier declaration prepared in Geneva in March by a group of emigré nationalist leaders. Their conciliatory attitude had caused a split to develop in the ranks of the Syro-Palestinian Committee, all of whose members were not agreed that the time had come to renounce hostilities. The split was emphasized by mutual recriminations over the expenditure of foreign contributions to the Syrian campaign funds, and proved to be somewhat of an embarrassment to the Nationalist movement.

EFFECTS OF FRENCH PACIFICATION POLICY

The actual condition of the country was much quieter in the latter half of the year than it had been in the earlier half. By means of subsidies the chiefs of the eastern tribes had gradually been persuaded to keep the peace in the desert, thus relieving the French authorities of a heavy burden, while in South Lebanon the work of reconstructing villages went forward.

Although the rebellion had reached its termination, an undercurrent of disaffection among the people themselves continued to be a feature of the situation. Even among the Maronites of the Lebanon who from the first had been the staunchest supporters of the mandatory authorities, this undercurrent was noticeable. The Maronite Patriarch explained the disaffection of his people in the spring of 1927 in a conversation to which considerable publicity was given. He accused French officials of corruption and preoccupation with personal affairs. He charged the French administration with fostering religious division in the country, and attacked it bitterly for the manner in which agents of the French authorities were carrying out the order to disarm the inhabitants. He cited the instance of South Lebanon, where people were entirely destitute as a result of the alternate attacks and counter-attacks of Nationalist and French troops respectively. Here the indiscriminate rifle levy had forced villagers to buy the rifles they did not own in order that they might turn in the required number to the authorities. Some of these rifles, the Patriarch asserted, had been re-sold by agents of the French as often as three times to villagers who had no arms of their own to surrender. Such methods, he said, were alienating the support of Lebanese who had formerly been sincerely attached to the French.

Rumors were circulated at various times during the year, and revived with some vigor during December, to the effect that France would transfer the Syrian mandate to Italy in return for compensation elsewhere. Discussed with some interest in the lobbies of the French Chamber of Deputies, the project did not take definite shape, although it aroused apprehensions in Syria, where the prospect of exchanging a French for an Italian régime was not viewed with favor.

LEAGUE SUPERVISION OF MANDATORY ADMINISTRATION

The Permanent Mandates Commission of the League of Nations considered the French report on Syria in its sessions from June 30 to July 2, 1927. It expressed gratification at hearing that the rebellion had come to

an end, but remarked the failure of the mandatory authority to live up to its undertaking to promulgate an Organic Law either in Syria or in the Republic of Greater Lebanon before September, 1926. It expressed the hope that the delay caused by the French desire to permit Syrian and Lebanese authorities to work out the constitutional organization of the country themselves would not continue much longer and that the Organic Laws would be promulgated within a reasonable time.

A number of miscellaneous requests indicated a few of the subjects on which the Permanent Mandates Commission considered it important that the French authorities should maintain a constructive policy. Thus it emphasized the importance of French plans to encourage the production of silk, cotton and grain in Syria and asked for further information showing what steps would be taken to reduce the abnormally high infant mortality and to increase the efficiency of Syrian public school teachers and inspectors. It commended the French authorities for reverting to the gold standard for purposes of public accounting, and asked to be informed of measures taken by the Mandatory Power to secure the co-operation of local authorities in determining the customs régime to be applied to the country. It also requested that in future fuller information should be given with respect to the number of persons in forced residence, and with respect to auxiliary military forces and military rights of requisition—matters which had been the source of complaint within the country since the beginning of the rebellion.

PALESTINE

CONTINUED economic depression, aggravated by the effects of an earthquake on July 11, constituted the major difficulty with which the people of Palestine had to contend in 1927. Due in part to business depression in the neighboring countries of Syria and Egypt, and in part to other causes, the decline in Palestinian trade, which had first become apparent in 1925, continued throughout 1926. In the latter year both exports and imports were reduced, while the unfavorable trade bal-

ance remained high, imports being more than four times as great as exports. During the first nine months of 1927 there was a degree of improvement as compared with the corresponding period of 1926, but as the following figures indicate, the adverse trade balance was still an important factor in the trade situation.

FOREIGN TRADE OF PALESTINE

	1927 (Jan.-Sept.)	1926 (Jan.-Sept.)
Imports	£E4,330,360	£E4,798,255
Exports	1,361,767	890,390
Adverse Trade Balance	£E2,968,593	£E3,907,865

The reduction of the adverse trade balance from nineteen and a half million dollars to a little over fourteen and a half million dollars was accomplished by a 53 per cent increase in exports and a 10 per cent reduction in imports.

Meanwhile interest rates remained high. There was a series of bankruptcies, and the continued depression resulted in widespread unemployment and emigration, in labor troubles and in continued criticism of the British mandatory authorities from groups within Palestine and from certain influential Zionists abroad.

Economic pressure coupled with racial and religious animosities provoked occasional clashes between unemployed persons and the police, such as those which occurred in December at the Jewish agricultural colony of Petach Tikvah, when unemployed Jews tried to prevent landowners from employing unskilled Arab laborers, who were satisfied with half the wages that unskilled Jewish laborers demanded.

Owing to the prevailing economic depression a new decree was put into effect in August restricting immigration to two classes: (a) the wives and infant children of Palestine residents, and (b) those who were really wealthy. This replaced the decree by which people possessing independent means (£500) had formerly been admitted. The number of emigrants who left Palestine during 1927 was almost double the number of immigrants. With the emigrants certain of the larger industrial concerns also left the country. During the first ten months of the year only 2,927 new settlers arrived,

whereas 5,485 left the country. This was in contrast to the movement of population in 1926 when 13,081 Jewish immigrants arrived and 7,365 emigrants departed, leaving in the country some 158,000 Jews and 719,000 Moslems and Christians. In 1925, a boom year, the net increase of Jewish population in Palestine had been more than 30,000.

DEVELOPMENT PROJECTS
OF PALESTINE ADMINISTRATION

In spite of business depression, unemployment and emigration, the national treasury continued to show a surplus. During the period from 1924-26 there had been a 75 per cent increase in Palestinian revenues. In 1926-27 there was a reduction from approximately thirteen million dollars to twelve million (£E2,739,091 to £E2,390,081). But the year 1927 began with a treasury balance of £E1,504,554 and there was sufficient confidence in the fundamental stability of the country that a loan of £4,500,000 floated in Great Britain was nine times oversubscribed, making it possible for Palestine to reimburse the British Government for war-time railways and other works recently turned over to it and to set about to create an up-to-date harbor at Haifa, improve the national railway system and undertake other necessary public works.

In March the Palestine Official Gazette published a draft ordinance to validate concessions granted in 1921 and 1926 to M. Rutenberg and the Palestine Electric Corporation for the development of an extensive hydro-electric system in Palestine, work on which was progressing actively.

Plans for exploiting the mineral deposits of the Dead Sea, delayed by the failure of 1925 tenders to measure up to the requirements of the Crown Agents, were resumed when new tenders were submitted in 1927. The application of M. Novomeysky, a Palestinian of Russian origin, and Major Tulloch, a British subject, was being favorably considered in December. The final granting of the concession waited only upon the conclusion of a working agreement between the prospective concessionaires and the Crown Agents.

In November a new currency was introduced in Palestine to replace the Egyptian currency hitherto in use. The new Palestinian pound, decimally divided, but equivalent to the pound sterling, had the advantage of equal stability with British currency, while revenues from the new issue were to accrue to the Palestinian rather than to the Egyptian treasury.

CAUSES OF DISSATISFACTION

The Zionist Organization, in the face of the grave economic difficulties from which Palestine was suffering, appointed a commission of inquiry under Sir Alfred Mond to draw up a comprehensive survey of the economic situation and future possibilities of the country which would serve as a basis for future Zionist policies. Meanwhile, to prepare for the agricultural development of the country, the Palestine Administration in January, 1927 appointed a Commissioner of Lands to carry out a thorough land survey, without which it was considered impossible to substitute an ordinary land tax for the cumbersome tithe on produce which remained as a heritage from the Ottoman régime. A temporary ordinance for the commutation of tithes was promulgated on December 16 as the result of recommendations made by the majority of the members of a committee previously appointed to investigate produce taxes. Against the burden of these produce taxes the Zionist Organization had made complaint to the Permanent Mandates Commission. But owing to the imminent change in the general fiscal system the latter took no action in response to the petition.

On November 16 yet another Commission was appointed to inquire into wages for unskilled labor—a question made specially difficult by the discrepancy between Arab and Jewish standards of living.

Former Jewish petitions elicited a certain response in 1927 in the promulgation of a Workmen's Compensation Ordinance and in the publication of draft ordinances concerning factory conditions and the protection of women and children in industry as well as in a Religious Communities Organization Ordinance (pending for three years) which

permitted organized religious communities a certain degree of autonomy in regulating their own affairs.

Arab complaints were voiced in a petition which had been transmitted by the Executive Committee of the Palestine Arab Congress to the Permanent Mandates Commission and were considered at the eleventh session of that body (June 20-July 6, 1927). The petition charged: (1) That the British authorities had disregarded the provisions of the mandate and the recommendations of the Permanent Mandates Commission in permitting too many Jewish immigrants to enter the country in 1925 and 1926. This had aggravated an existing financial crisis and threatened public safety by increasing the number of unemployed. (2) That in respect of representative political institutions Palestine was the most backward of the territories under Class A mandate. Nearly all administrative posts were held by British subjects, while subordinate posts open to Arabs were decreasing.* On questions of vital importance to the country, such as the loan, the new Palestine currency, and the Dead Sea projects, decisions were reached, negotiations entered into or concessions granted while the people were ignorant of what went on or impotent to interfere. (3) That Hebrew was placed on a plane of equality with Arabic and that most important affairs, such as the alteration of the tithe law, were officially discussed in English while, as the mandatory authorities themselves acknowledged, only résumés were published in Arabic.

The second of these charges was the only one on which the Permanent Mandates Commission deemed it necessary to take action. Knowing that the existing lack of an elective legislative assembly in Palestine was due primarily to the refusal of the Arabs to co-operate in the establishment of representative institutions, and knowing too that in March, April and May, 1927, a first step

*In response to a question in the British House of Commons the Colonial Secretary stated that in January the number of persons employed by the Palestinian Government were as follows:

	Salaries from £E200 to £E400 per annum	Salaries from £E401 to £E300 per annum	Salaries over £E300 per annum
Moslems	85	55	2
Christians	273	172	63
Jews	151	38	8

In January, 1927, 12 per cent of the officers and 12.1 per cent of the men of all other ranks in the Palestine Police Force were Jews.

had been taken toward self-government by the establishment of elective Councils in a number of Palestinian municipalities, the Permanent Mandates Commission indicated that, while satisfied with the information given by the mandatory Power with regard to progress in local autonomy, it would like to find in the next report more detailed information regarding the development of the self-governing institutions provided for in Article 2 of the Mandate.

TRANSJORDAN

IN November it was announced in the British House of Commons that a treaty was about to be concluded with Transjordan whereby the latter would enjoy a status similar to that of Iraq. The country would be given a parliament, half elected, half nominated. But during 1927 the actual administration of the country remained in the hands of Colonel Cox, the representative of Lord Plumer, High Commissioner at once of Palestine and of Transjordan. British financial and judicial advisers and British directors of Customs, Antiquities and Surveys, together with a small group of Palestinian technicians, assisted Emir Abdullah, brother of King Faisal of Iraq, and his Executive Council to carry on the administration of the principedom. In 1926 the Middle Eastern Services Vote had provided a contribution of £200,000 (\$974,000) toward the upkeep of the Transjordan Frontier Force and maintenance of the Transjordan Administration. The vote for 1927 was somewhat less.

In April the British military authorities finally ejected from El Azraq in northern Transjordan Druse rebels from Syria who had taken advantage of the sympathy of Transjordanians to use that oasis as an asylum in spite of repeated warnings from the British authorities that none but non-combatants would be permitted to remain.

In the south the British authorities continued to occupy the Red Sea port of Aqaba and the railroad town of Maan, which Sultan Ibn Saud had claimed as belonging to Hedjaz territory. Experimental shipments of goods were routed from Egypt to Transjordan via the Maan-Aqaba route, in the absence of a Baghdad-Haifa railroad across

Transjordan, which the people in general believed that the British would ultimately build to facilitate trade and to strengthen their own strategic position in the Near and Middle East.

IRAQ

THE outstanding political developments of the year in Iraq centered about the attempted revision of that country's treaty relationship with Great Britain. King Faisal and his Prime Minister, Jaafar Pasha, after more than two months of difficult negotiation in London, agreed on December 14th to the terms of a new treaty embodying changes in the status of Iraq, but falling short of what the Iraq Government had desired to achieve. They had requested Great Britain to support Iraq's application for membership in the League of Nations in 1928, which would have implied the termination of the British mandatory régime on that date. The most that the British Government would promise, however, was to support the candidature of Iraq for membership in the League of Nations in 1932, on condition that the present rate of progress in Iraq was maintained and all went well in the meantime.

The treaty in which this promise was embodied contained implications of an interesting nature. Its language conformed more closely than had that of former treaties to the terminology generally used in conventions between independent states. Furthermore, although the treaty of October, 1922 had contained only a passing reference to Iraq's national sovereignty (which was not to be prejudiced by British advice and assistance), in Article 1 of the new treaty Great Britain accorded Iraq formal recognition as an independent sovereign state.

To Iraq nationalists this advance seemed insignificant in comparison with the failure of the King and the Prime Minister to carry their point in the matter of League membership. To enable Iraq "to stand alone" (the formula devised by the framers of the League Covenant to test a territory's fitness for independence) Jaafar Pasha had introduced a Conscription Bill in the Iraq Parliament in June. His plan was to have had the advantage of providing a small peace army

while creating at relatively small expense a large reserve force to be available in case of emergency. By introducing the proposed form of conscription Jaafar Pasha held that Iraq would be able to fulfil its undertaking (by the Military Agreement of March 25, 1924) to assume by the year 1928 at the latest full responsibility for the maintenance of internal order and for the defense of the country from external aggression.

But the British Government in its negotiations with King Faisal and Jaafar Pasha appears to have discouraged the conscription plan, in spite of the fact that it had been favored by General Daly, who had investigated the military situation in Iraq on behalf of the British authorities. With a view to the military and political disadvantages which an immediate withdrawal of British military assistance* would entail for Iraq, the British Government undertook in the new treaty to proceed forthwith to the revision of the 1924 Military Agreement.

Although in Nationalist groups considerable dissatisfaction greeted the announcement of the terms of the treaty, there was not unanimity of opinion in the country as a whole. Not all groups in the country supported Jaafar Pasha's conscription plan, without which it would have been difficult to qualify for League membership. There was a natural reluctance on the part of individual citizens to have compulsory military service imposed upon them, with lower rates of pay than prevailed under the present system. Tribal sheikhs, moreover, were apprehensive lest the proposed measure should undermine their authority over the armed tribesmen who were still their own retainers. Finally the influence of the powerful religious leaders of the Shiah, the largest Moslem sect in Iraq, was thrown into the balance against conscription. On the day when the new treaty was announced in Parliament two members of the Cabinet resigned and early

in January Premier Jaafar Pasha followed their example, leaving his successor, Abdul Muhsin Beg es Saadun to hold a new election.

DOMESTIC ECONOMY

The domestic situation showed certain improvements over former years. An advance was made toward the complete pacification of the rugged northeastern territory when the district of Penjwin was occupied on April 22 by Iraq troops and Iraq Levies, assisted by the Royal Air Force. The Kurdish chieftain, Shaikh Mahmūd, who had disturbed the peace of the Sulaimani area for years, was persuaded to submit in June, but banditry still continued under such irrepressible marauders as Shaikh Simko and Shaikh Ahmed.

The development of Iraq's oil resources by the Turkish Petroleum Company continued successfully during 1927. After extensive preliminary work it began to drill its first well at Palkhana on April 5. On October 15 an unusually promising gusher was struck at Baba Gurgur in the Kirkuk area. On November 5, it was announced in New York that the disputes which had delayed American participation in the Turkish Petroleum Company for seven years had now been settled. Five American companies—the Standard Oil Companies of New York and New Jersey, the Pan-American Petroleum and Transport Company, the Atlantic Refining Company and the Gulf Oil Corporation—were now to participate actively with the British, French and Dutch concerns already in the field, each group holding 23¾ per cent of the shares.

The Government's interest in industrial development was illustrated when Iraq's first wool-spinning factory was opened near Baghdad on January 9 with public ceremonies. More pressing was the need for agricultural improvement, however, and in April the Iraq Parliament adopted a measure providing for the creation of a Ministry of Agriculture and Irrigation.

Communications were improved by the inauguration on January 2 of air passenger service by the Imperial Airways Limited, linking Baghdad with Cairo. The Prime

*The British Government had progressively reduced its troops in Iraq and its expenditure for the defense of the country. In 1921 it had maintained in Iraq 33 infantry battalions, 6 cavalry regiments, 16 batteries and 5 air squadrons, beside the native force of "Iraq Levies." On March 10, 1927, the last battalion of English troops was withdrawn, leaving only five air squadrons and one Indian battalion whose personnel was not recruited in Iraq itself. In 1926-27, according to a statement made in the British House of Commons by the Colonial Secretary on March 14, 1927, the appropriation for Iraq in the Middle East Services Vote had been £3,900,400 (\$19,000,000). The withdrawal in 1926 of three extra air squadrons despatched to northern Mosul in 1925 when war with Turkey had seemed imminent, permitted a reduction of £664,500 (\$3,240,000) in British expenditures for the defense of Iraq in 1927.

Minister in a review published early in the year pointed out that Iraq now possessed 816 miles of railway open to traffic, which carried half a million passengers and 400,000 tons of merchandise annually, that there were 2,627 miles of earth roads and 124 miles of metalled roads open to motor traffic, beside 300 new government-built bridges and 10 cable ferries.

RELATIONS WITH NEIGHBORING COUNTRIES

Iraq's relations with its northern neighbor, Turkey, grew more friendly during 1927, whereas with its eastern and south-western neighbors it experienced growing difficulties. Between March and September the Turco-Iraqi Boundary Commission traced the 235-mile boundary between the two countries. For the first time Turkey appointed a Consul-General to reside in Baghdad, while the Iraq Government arranged to maintain a representative in Angora.* It was anticipated that there would be a resumption of trade between the two countries.

Persia, on the other hand, although maintaining consular representatives in Iraq, had not yet accorded its government *de jure* recognition. The relations of the two countries were complicated by the fact that Persia, as a Shiah state, aspired to the rôle of protector of Shiah rights in Iraq, and by the further circumstance that the Shiah shrines at Najaf, Karbala and Kadhimain, visited annually by thousands of pious Per-

sians, were in Iraq territory. On September 11 the Persian Parliament adopted a measure to prevent Persians from obtaining passports to Iraq until better relations should exist between the two countries. It also made an appropriation to assist Persians in Iraq to return to their own country. The revenues formerly derived by Iraq from the heavy Persian pilgrim traffic were no longer forthcoming.

In November and December Wahhabi tribesmen under Faisal ud Dawish invaded southern Iraq, inflicting heavy casualties upon the Iraqi nationals they encountered. Ibn Saoud, Faisal ud Dawish's overlord, had declared prior to this incident that in building a police post at Busiyah in southern Iraq the Iraqi and British authorities had violated a 1922 agreement to the effect that neither Iraq nor Nejd would use the waterings and wells in the neighborhood of the frontier for any military purpose, such as the erection of forts and the posting of troops thereon. Ibn Saoud's protest of 1926 had been ignored, however, the Iraqi and British authorities maintaining that Busiyah was considerably north of the neutral zone. The 1927 raids caused the British press to publish accusations of bad faith on the part of Ibn Saoud. Nationalists in Iraq, on the other hand, seized the opportunity to accuse the British Government of deliberately encouraging the Wahhabi attack with intent to impress the Iraq Government with a sense of its military dependence upon Great Britain.

ARABIA

THE dominant figure in Arab politics continued throughout 1927 to be that of Ibn Saoud, the Wahhabite ruler, whose recent emergence from comparative obscurity in central Nejd closely paralleled the career of his renowned ancestor of the same name during the Napoleonic era. The expanding power of the present ruler of Nejd and surrounding principalities and kingdoms received important foreign recognition during 1927. By the Treaty of Jeddah, May 20, Great Britain for the first time acknowledged formally Ibn Saoud's possession of the

Hedjaz, which he had wrested in 1925 from its former Hashimite rulers, protégés of the British Government. The treaty safeguarded the interests of British subjects travelling as pilgrims in the dominions of Ibn Saoud. It also provided for the maintenance of friendly relations between Ibn Saoud and the unconquered Sheikhs of certain coastal districts of Arabia with whom Great Britain had entered into special treaty relations.

The treaty did not settle the dispute between Transjordan and the Hedjaz over the ownership of the railroad town of Maan and the seaport of Aqaba. But Ibn Saoud under-

*The actual appointment of a Consul-General to Angora did not take place until January, 1928.

took in an exchange of notes not to disturb the British in their present occupation of the Maan-Aqaba region until favorable circumstances should permit a final settlement of the question. In a further exchange of notes the British Government announced that it would no longer prevent the export of war materials to Ibn Saoud's dominions.

The British Government charged that this treaty and the Bahra Agreement of 1925 between Great Britain and Nejd were violated in November and December by the raids which Wahhabi subjects of Ibn Saoud conducted into Iraq and into the territories of the Sheikh of Kuwait, with whom Great Britain had special treaty relations. (See p. 435.) It was not clear before the year closed whether Faisal-ud-Dawish, who led the raids, would be punished by his overlord, Ibn Saoud, or whether the latter would leave the task of chastisement entirely to the British and Iraq authorities.

RELATIONS BETWEEN IBN SAOUD AND THE YEMEN

An international situation which the Treaty of Jeddah did not serve to clarify directly was the uncertain relationship existing between Ibn Saoud and the Imam Yehya, ruler of Yemen in southwestern Arabia. Neither Ibn Saoud's British friends nor the Imam Yehya's Italian friends encouraged hostilities between the two rulers. But the claims of the Imam to sections of Asir, lying between Yemen and the Hedjaz, constituted a threat of war, inasmuch as Ibn Saoud in 1926 had declared a protectorate over the whole of Asir. The importation of British arms into Asir (after the Anglo-Saxon Petroleum Company received a concession to develop oil-bearing properties in the Farsan Islands off the Asir coast) and the known intention of the people of the country to resist encroachment by the Yemenites, whom they believed to be importing arms from Italy, made an outbreak seem imminent. To avoid actual hostilities representatives of Ibn Saoud conferred with the Imam Yehya at his capital, Sanaa, during the course of the summer, but they failed to conclude an agreement, and relations between

Yemen and the Hedjaz continued to be strained.

THE MECCA PILGRIMAGE OF 1927

That Ibn Saoud was making progress in consolidating his recently established position in the Hedjaz was illustrated again by the success of the 1927 Mecca pilgrimage. In spite of the fact that agitation had been rife in several Moslem countries against Ibn Saoud, because of his adherence to the extreme puritanical creed of the Wahhabi sect, the 1927 pilgrimage was the largest since 1910. It was estimated that between 130,000 and 250,000 pilgrims attended it, including at least 64,000 from Java, 25,000 from India and 15,000 from Egypt. The size of the Egyptian delegation was all the more remarkable because Moslem leaders in Egypt had formally boycotted the pilgrimage. They resented an armed attack which had occurred in 1926 on the escort of the holy carpet sent as an annual gift from Egyptian Moslems to the Mecca shrine, and refused to tolerate Ibn Saoud's ruling that in future armed Egyptian soldiers should not escort the holy carpet in Hedjaz territory.

Ibn Saoud believed that the success of the 1927 pilgrimage was partly due to official representations made to government and religious leaders in Great Britain, Holland, Egypt, Iraq and Persia by his own sons and other emissaries whom he dispatched abroad to give assurances that the safety and comfort of pilgrims would be thoroughly provided for. To accomplish this purpose he provided better camp and medical facilities and a motor-car service between Jeddah and Mecca. He made regulations to reduce the notorious exploitation of pilgrims, and public security was greatly improved.

The second annual All-Moslem Conference, originally planned to take place in Mecca at the time of the pilgrimage, was not held. This was partly due to religious divisions in the Moslem world and partly to the attempts of delegates at the inaugural conference in 1926 to interfere in local Hedjaz politics.

EGYPT

ANGLO-EGYPTIAN
RELATIONS

IN the process of arriving at a more precise definition of Egypt's relationship with Great Britain the latter months of the year 1927 saw a distinct advance. This was in contrast to the repeated setbacks experienced since February, 1922, when Great Britain formally abolished its war-time protectorate over Egypt and granted the country theoretical independence, reserving for later agreement questions concerning the Sudan, imperial communications, national defense and the protection of foreign interests and the rights of minorities.

During the early summer an incident occurred which made it seem unlikely that any more appreciable progress would be made in 1927 than in preceding years toward an understanding on these reserved points. The crisis, though grave, proved to be only temporary. On May 23 a Parliamentary Committee submitted to the Egyptian Chamber of Deputies a number of recommendations for army reform, among them a proposal to cancel the usual credits for the Sirdar, or British Inspector-General of the Egyptian Army. Declaring that reforms in the Army were a matter of common interest to Great Britain and Egypt, the British Government met these recommendations with a note on May 30 affirming the principle that such reforms should not be determined except by mutual agreement between Great Britain and Egypt. The note demanded that the Sirdar's contract be renewed for three years, that no attempt be made to reduce his powers and that he be permitted to communicate with the King of Egypt directly, rather than through the Egyptian Minister of War as formerly. In support of the note three British warships appeared in Egyptian waters.

For two weeks the Egyptian Cabinet held out against the British demands, declaring that it could not comply with them because they were derogatory to the principle of Egyptian national sovereignty. But the British Government, which saw in the proposed cancellation of the Sirdarate credits a deliberate intention to reduce to the van-

ishing point British control over the Egyptian army, maintained a steady pressure upon Egyptian leaders. In the end the latter capitulated. On June 21 the Chamber of Deputies voted the usual credits for the Sirdar.

With the closing of this incident, King Fuad was able to carry out former plans to visit London, where he spent the month of July preparing the way for long-deferred negotiations on the four reserved points. Here, after the proroguing of the Egyptian Parliament in mid-July, King Fuad was joined by Sarwat Pasha. The latter had been appointed Premier on April 25, 1927, when his predecessor, Adly Pasha Yeghen, formerly President of the Constitutional Liberal Party, resigned in protest against the refractoriness of certain political elements in the Coalition he had led since June, 1926.

Sarwat Pasha remained in London after the conclusion of King Fuad's state visit, to continue conversations with British government officials. But the sudden death of Saad Pasha Zaghlul, Egypt's renowned nationalist leader, on August 23 interrupted the negotiations and caused Sarwat Pasha to return to Egypt early in September to observe party developments at home. With the choice of Mustapha Pasha Nahas to succeed Zaghlul Pasha as leader of the Wafd (the larger of the two elements of the Coalition), and the subsequent announcement that the Wafd would continue to support the Coalition Government under Sarwat Pasha, representing the Constitutional Liberals, the latter was able to resume negotiations in London in October. Preceded once more by King Fuad, Sarwat Pasha entered a second time into conversations with Sir Austen Chamberlain, arriving during the first week of November at results which appeared to be mutually satisfactory.

An enthusiastic greeting was accorded the King when he returned to Egypt in the third week of November, and the Chamber of Deputies accepted with satisfaction the official account of the London conversations contained in the speech from the throne at the opening of Parliament on November 17.

But as weeks passed and no further progress seemed to have been made toward a definite settlement, the Nationalists in the Chamber of Deputies began to grow restive, and, in the latter part of December, created difficulties for the leader of the Coalition.

ATTEMPT TO ABOLISH THE CAPITULATIONS

Sarwat Pasha's government took an important step toward increasing Egyptian independence when, in a note dated December 25, it requested foreign governments to consent to certain limitations upon the jurisdiction of Consular Courts in Egypt. This was in pursuance of the plan suggested in the report of the Milner Mission in 1920, that foreign Consular Courts should ultimately be closed and the majority of their functions transferred to the Mixed Tribunals. Egyptians themselves had been eager to achieve the same end since 1876, when the Khedive had first created Mixed Tribunals in the hope that they might eventually supplant the existing Consular Courts. The note of December 25 proposed a February conference for discussion of any points on which there might be differences of opinion. But although Great Britain, France, Belgium and Italy had already indicated their willingness to have specified classes of offense come within the jurisdiction of the Mixed Courts, there was some uncertainty as to whether all the proposed changes would be generally agreed to as early as February, 1928.

The whole question of extra-territorial privileges of foreigners in Egypt was one which King Fuad had had in mind during his European tours of the summer and autumn. Fully as unwelcome as the special judicial privileges of foreigners under the capitulations was their privileged economic position, which imposed on the Egyptian Government a fiscal burden eloquently described at Geneva by the Egyptian delegate to the Economic Conference in May, 1927. He drew attention to the fact that the capitulations exempted foreigners from all but a few specified forms of direct taxation, and that until they were abrogated or radically changed it would continue to be impossible for the Egyptian Government to

regulate its own sources of revenue in accordance with the methods in use in other countries.

With the purpose of reorganizing Egyptian customs tariffs in 1930 so as to serve the needs of the country more adequately, Sarwat Pasha's government in 1927 appointed a Canadian and a French expert to investigate existing conditions and to prepare a new customs tariff which should abolish export duties on Egyptian produce, lower import duties on articles required by Egyptian agriculturists and manufacturers and raise import duties on other goods above the maximum now permitted.

TRADE CONDITIONS IN 1927

In 1927, as in 1926, Egypt experienced an unfavorable trade balance. But an upward trend in business during the latter part of the year prevented the discrepancy between imports and exports from being as great as during the previous year, as the following figures indicate:

FOREIGN TRADE OF EGYPT		
	1927	1926
Imports	£E48,685,184	£E52,400,059
Exports	48,340,503	41,759,391
<hr/>		
Unfavorable		
Trade Balance	£E 344,681	£E10,640,668

With the Egyptian pound quoted at £1 6½d, or \$5.00, it will be seen that in the course of the year Egypt was able to reduce the unfavorable trade balance from \$53,203,340 to \$1,723,405.

To deal with the grave situation arising from congestion in the world cotton market the Coalition Government (then under Adly Pasha Yeghen) adopted on January 10, 1927 a measure requiring all cultivators to reduce by two-thirds the area sown to cotton. This regulation was to be effective from 1927 to 1929, inclusive. Other devices resorted to in the hope of relieving distress among cotton-growers were:

1. The extension of credits for another four-month term.
2. The encouragement of cooperatives through legislation, and their promotion by the Minister of Agriculture in a summer speaking tour.

3. Progress on the preliminary survey required for raising the height of the Assuan Dam, and the commencement of work on the Nag Hamadi barrage.

The foreign community greeted with general approval the calling of two international conferences in Egypt during 1927—the Seventeenth Congress of the International Federation of Master Cotton Spinners' and

Manufacturers' Associations (January 25-February 5) and the International Statistical Congress (December.) General interest was aroused, too, by the appointment of commissions to study the organization of public security, proposals for protective labor legislation, the settlement of labor disputes, and the reorganization of El Azhar, the conservative centre of Islamic learning.

PERSIA

Active preparation for the construction of Persia's first national railway was one of the outstanding features of the domestic history during 1927 of a country hitherto dependent upon airplanes and motor-cars for rapid transportation (except in the extreme north where a short railway line connected Tabriz with the Russian border). On February 24, 1927 the Persian Majliss adopted a Railway Construction Bill authorizing the building of a 1200-mile railway to connect the Persian Gulf and the Caspian Sea. With its southern terminus at Khur Mussa and its northern terminus at Bandar Gaz, the railway was to pass through Mu-hammarah, Hamadan and Teheran. It was to be completed in ten years, revenues from the tea and sugar monopolies (amounting to about 7,000,000 tomans or \$7,210,000 annually) having been set aside as early as 1925 for its use. The Majliss in 1927 made an additional appropriation of 4,500,000 tomans (\$4,635,000) for blast furnaces. Tenders were invited from foreign concerns for the supply of necessary railway materials. American engineers set to work promptly on the final survey. On October 16 Reza Shah cut the first sod for the new railroad.

That Persia was able to commence work on the railway without first contracting a large foreign loan was due in part to the success with which an American, Dr. Arthur C. Millspaugh, had reorganized the national finances. Employed in 1922 on a five-year contract by the Persian Government as Administrator-General of Finances, he had converted a considerable treasury deficit into a 15,000,000-toman surplus, (\$15,450,000). This had been accomplished by revising the taxes and tax rolls, by efficient tax-collecting, by the progressive suppres-

sion of graft and by strict accounting for all public funds (except in respect of the revenues amounting to 45 per cent of the budget which Reza Shah appropriated annually for purposes of national defense and for which he chose not to render an account).

Upon the expiry of his first contract in 1927 Dr. Millspaugh was offered a second one with increased salary but diminished executive powers. This he refused to accept and on July 28 the Majliss appointed the Prime Minister to act in his stead until a successor should be found. On September 29 a bill was submitted to the Majliss providing for the employment of a Swiss Treasurer-General and a Swiss Chief Accountant, a German Chief Inspector of Revenue and a German Financial and Economic Expert, all of whom were to be subject to control by the Persian Minister of Finance.

NATIONALIST POLICIES

This important alteration in the status of the foreign advisers charged with reorganizing Persian finance was only one of several indications of the prevailing nationalist spirit which characterized the Pahlavi régime. Another manifestation of the same spirit was apparent in the new law making compulsory the teaching of Koranic precepts to Moslem pupils in all schools in Persia, while prohibiting the teaching of Christian religious doctrines. In December an American school in Hamadan was closed for failing to comply with the new regulations. Later an Armenian school was required to close for similar reasons. Before the end of the year the Minister of Education instructed officials throughout the country to see that the law was strictly enforced.

It was in accordance with the prevailing nationalist spirit, also, that conscription had been adopted in Persia. During 1927, as in 1926, there were numerous evasions of the conscription law. In the fall of 1927, closing of the bazaars in several Persian cities indicated popular disapproval of the new vigor with which the two-year-old law was being enforced. In December a national congress of influential Moslem clergy adopted a resolution calling upon the Shah to repeal it. But no agreement was reached until January, 1928.

Another expression of growing nationalist sentiment in Persia was the July announcement of the Shah's intention to abolish the capitulations, which since 1828 had exempted foreigners of certain nationalities from the jurisdiction of Persian law courts. Russia, which had been the first to enjoy capitulatory privileges, was the only nation beside Turkey which had renounced them after the Great War. The Persian Government now gave notice that on May 10, 1928 the capitulations would be abrogated altogether. On July 7, 1927, criminal and civil cases in which foreigners were involved ceased to be tried as formerly by representatives of the Persian Foreign Office. Until the abolition of the capitulations had actually gone into effect, cases in which foreigners were involved were now to be tried before local governors, representing the Persian Minister of Justice, with a foreign consul still acting as assessor. Later all such cases would be heard in the ordinary Persian courts, recently reorganized by an able Persian official trained in Switzerland.

By the end of the year only the French and German Governments had assented to the principle of abolishing the capitulations and had indicated their willingness to negotiate new treaties.

BRITISH AND RUSSIAN INFLUENCES

Great Britain and Russia continued during 1927 to maintain positions of mutual watchfulness in Persia, Russian economic influence predominating in the north and British economic influence in the south. Episodes directly or indirectly affecting the

relations of the Persian and British Governments were:

1. The refusal of the Persian Chamber of Deputies in March to ratify a 1925 agreement permitting the Imperial Airways Limited to construct flying fields in southern Persia, thus hampering seriously the proposed air service from Baghdad to Karachi.

2. The Persian Government's refusal to grant passports to Persian nationals wishing to travel in Iraq. (See p. 435.)

3. The Persian Government's failure to meet certain debts for whose payment Great Britain was pressing.

4. The prolonged detention in Teheran of a British protégé, the Sheikh of Muhammarah, the degree of whose former independence had been regarded as a menace by the central government at Teheran which had caused his sudden arrest in 1925.

5. The Persian Government's protest of November 23 to Great Britain and the League of Nations (under Article X of the Covenant) against the implications of the Treaty of Jeddah (see p. 435) whereby Great Britain required Ibn Saoud to maintain peaceful relations with the Sheikh of Bahrein. Persia, which had frequently protested against Great Britain's special treaty relations with the Sheikh of Bahrein in the past, once more asserted its own suzerainty over the island.

With Soviet Russia on the north Persia's relations appeared to be improving. On October 1 after prolonged negotiations there was concluded a series of agreements comprising:

1. A Guarantee and Neutrality Pact whereby each nation undertook to refrain from aggression against the other, or from entering into military or economic alliances against the other. Persia declared that it would carry out the terms of this agreement only in so far as they did not conflict with its obligations as a member of the League of Nations.

2. A Customs Convention providing reciprocal most-favored-nation treatment.

3. A Caspian Fisheries Agreement providing for the exploitation of the south Caspian fisheries for a 25-year period by a joint Russo-Persian company under a Persian chairman.

4. An agreement whereby the port of Pahlavi was to be restored by Russia to the Persian Government, a Russian warship being retained in the harbor. (The transfer was accomplished in December.)

5. A Commercial Agreement whereby the former Russian embargo on Persian imports was

lifted, and Persia was permitted to export to Russia annually 50,000,000 rubles worth of specified products, with the proviso that Russian exports to Persia should not exceed 90 per cent of this total. Persia would now be permitted to export goods to other countries across Russian territory. Similarly goods originating in countries with which Russia had entered into commercial agreements might be transported to Persia across Russian territory.

The effect of these agreements was to relieve at once the economic pessimism which had fallen upon northern Persia during the

period when the Caspian fisheries lay idle and the Russian boundary remained closed to Persian trade.

Internally Persia fared better in 1927 than in 1926. Revolts in the northern and northeastern marches did not recur. Only among the Arabs of Khuzistan in the south did an uprising take place in 1927, in protest against the rigorous methods of Persian tax-collectors. The disturbance was promptly suppressed by the Shah's troops.

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